

ITASCA

INDEPENDENT SCHOOL DISTRICT

*Home of the
Wampus Cats!*



**ANNUAL FINANCIAL
REPORT
FOR THE YEAR ENDED
AUGUST 31, 2024**

ITASCA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2024

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CERTIFICATE OF BOARD

Itasca Independent School District
Name of School District

Hill
County

109-907
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2024, at a meeting of the Board of Trustees of such school district on the 9th day of December, 2024.

Kelley Strona

Brian Bassett

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Itasca Independent School District
Itasca, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Itasca Independent School District, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Itasca Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Itasca Independent School District, as of August 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Itasca Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Itasca Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Itasca Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Itasca Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information as presented in the table of contents, to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Itasca Independent School District's basic financial statements. The combining nonmajor fund financial statements, required TEA schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, required TEA schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2024 on our consideration of Itasca Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Itasca Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Itasca Independent School District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Itasca Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2024. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,284,946 (*net position*). Of this amount, \$4,295,156 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$2,334,262 from operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,479,224, an increase of \$419,045 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,459,230 or 67.95% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The sections labeled TEA Required Schedules and Compliance Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The government-wide financial statements begin immediately following the management's discussion and analysis. Their primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred inflows/outflows of resources and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's revenue is divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U. S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenue), and general revenue provided by the taxpayers or by TEA in equalization funding processes (general revenue). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in net position. The District's net position (the difference between assets, deferred inflows/outflows of resources and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has the following activity:

Governmental Activities – The District's services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The Fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District incorporates two kinds of funds – governmental funds and proprietary funds.

Governmental Funds – The District reports its services in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

Proprietary Funds – The District's proprietary fund is classified as an internal service fund which is used to report activities that provide supplies and services for the District's other programs and activities—such as the District's Workers' Compensation Self-Insurance Fund.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District’s governmental activities.

Net position of the District’s governmental activities increased from \$8,950,684 to \$11,284,946. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,295,156 and \$4,343,798 at August 31, 2024 and 2023, respectively.

**TABLE 1
ITASCA INDEPENDENT SCHOOL DISTRICT
NET POSITION**

	Governmental Activities	
	2024	2023
Current and other assets	\$ 11,282,456	\$ 10,769,464
Capital assets	14,684,532	13,170,429
Total assets	<u>25,966,988</u>	<u>23,939,893</u>
Total deferred outflows of resources	<u>2,914,083</u>	<u>2,123,743</u>
Long-term liabilities	13,858,031	13,440,513
Other liabilities	705,326	592,009
Total liabilities	<u>14,563,357</u>	<u>14,032,522</u>
Total deferred inflows of resources	<u>3,032,768</u>	<u>3,080,430</u>
Net position:		
Net investment in capital assets	5,563,837	3,602,512
Restricted	1,425,953	1,004,374
Unrestricted	<u>4,295,156</u>	<u>4,343,798</u>
Total net position	<u>\$ 11,284,946</u>	<u>\$ 8,950,684</u>

**TABLE 2
ITASCA INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION**

	Governmental Activities	
	2024	2023
REVENUES		
Program revenue:		
Charges for services	\$ 99,879	\$ 181,771
Operating grants and contributions	1,389,629	1,880,320
General revenues:		
Maintenance and operations taxes	2,985,534	3,051,502
Debt service taxes	965,821	791,430
Grants and contributions not restricted	6,145,071	5,318,108
Investment earnings	591,296	403,079
Payment in lieu of taxes	706,971	-
Miscellaneous	192,468	25,962
Total Revenue	<u>13,076,669</u>	<u>11,652,172</u>
EXPENSES		
Instruction	4,874,835	4,345,200
Instructional resources and media services	284,762	257,434
Curriculum and Instructional staff development	105,282	66,706
Instructional leadership	151,244	110,973
School leadership	577,698	471,943
Guidance, counseling and evaluation services	93,978	141,719
Health services	67,236	64,835
Student (pupil) transportation	393,151	249,697
Food services	562,422	507,158
Co-curricular/extra curricular activities	734,822	722,787
General administration	482,970	548,431
Plant maintenance and operations	1,268,523	1,145,538
Security and monitoring services	164,185	161,728
Data processing services	207,443	175,478
Community services	1,843	1,512
Debt service - interest on long-term debt	262,769	270,221
Debt service - bond issuance costs	1,550	1,550
Payments to fiscal agents/member districts of SSA	364,657	380,878
Payments to Juvenile Justice Alternative Ed. Program	22,500	6,270
Other intergovernmental charges	120,537	117,208
Total Expenses	<u>10,742,407</u>	<u>9,747,266</u>
CHANGE IN NET POSITION	2,334,262	1,904,906
NET POSITION, BEGINNING	<u>8,950,684</u>	<u>7,045,778</u>
NET POSITION, ENDING	<u>\$ 11,284,946</u>	<u>\$ 8,950,684</u>

Governmental activities increased the District's net position by \$2,334,262. Revenues increased due to an increase in unrestricted grants and contributions of \$826,963, a decrease in operating grants of \$490,691, and an increase in payments in lieu of taxes in the amount of \$706,971 resulting from a tax abatement with BT Solar Files.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$10,479,224, which is more than last year's total of \$10,060,179. Included in this year's total change in fund balance is an increase in the balance of the General Fund and Debt Service Fund. The increase of \$443,162 in the Debt Service fund can also be attributed to the growth in the District's property tax base.

Over the course of the year, the Board of Trustees amended the District's General Fund budget several times. The primary budget amendments for the year were to increase facilities acquisition and construction expenditures. The difference between the original and final budgeted expenditures was an increase of \$2,594,537.

The ESEA I, A Improving Basic Programs fund reported equal revenues and expenditures of \$222,860 during the year, primarily related to instruction, instructional leadership, and counseling services.

The ESSER III Fund, included \$180,050 of expenditures primarily related to instruction, and the grant funding will be fully spent by end of 2024-2025 fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024, the District had approximately \$14.7 million invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment. The District's major additions included a 71 passenger bus, air conditioning units, roofing, and paving additions. Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term Liabilities

At year-end, the District had approximately \$9.1 million in long-term debt versus \$9.5 million last year – a decrease of 4%. This decrease in debt resulted from the debt service payments of \$394,396. Additional information on the District's long-term debt can be found in the notes to the financial statements.

The District also reports a Net Pension Liability and Other Postemployment Benefits Liability in the amounts of \$3,006,075 and \$1,722,500, respectively. These liabilities increased by \$699,617 and increased by \$163,579, respectively, over the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2025 budget and tax rates. Those factors include property values, change in enrollment, the economy, and legislative mandates. The District adopted a balanced General Fund budget for 2025, with revenues and expenditures, of \$11,312,567. The district expects the general fund balance for fiscal year 2025 to remain about the same as fiscal year 2024.

The district's student enrollment is predicted to remain steady or increase slightly for the 2025 school year. The District's property values have increased over recent years and are expected to continue to increase. Separate tax rates are adopted for Maintenance and Operations (M&O) and for Debt Service. The rates stated are per \$100 of value. The tax rate for M&O for fiscal year 2024 was \$0.7575, and the adopted tax rate for fiscal year 2025 is \$0.7552. The debt service rate for 2024 was \$0.1834, and the adopted tax rate for 2025 is \$0.1830.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administration office, at 123 N. College Street, Itasca, Texas 76055.

BASIC FINANCIAL STATEMENTS

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ITASCA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2024

<u>Data Control Codes</u>		<u>Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 9,878,685
1220	Property taxes receivables (delinquent)	161,883
1230	Allowance for uncollectible taxes	(48,565)
1240	Due from other governments	1,290,160
1267	Due from fiduciary funds	293
	Capital assets:	
1510	Land	330,500
1520	Buildings and improvements, net	13,056,998
1530	Furniture and equipment, net	1,207,709
1550	Right-to-use assets, net	89,325
1000	Total assets	<u>25,966,988</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflow related to pensions	1,415,657
1706	Deferred outflow related to other post-employment benefit	1,498,426
1700	Total deferred outflows of resources	<u>2,914,083</u>
LIABILITIES		
2110	Accounts payable	208,932
2140	Interest payable	12,282
2160	Accrued wages payable	395,540
2180	Due to other governments	17,100
2200	Accrued expenses	71,472
	Noncurrent liabilities:	
	Due within one year	
2501	Long-term debt	414,803
	Due in more than one year	
2502	Long-term debt	8,714,653
2540	Net pension liability	3,006,075
2545	Net other post-employment benefit liability	1,722,500
2000	Total liabilities	<u>14,563,357</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflow related to pensions	223,475
2606	Deferred inflow related to other post-employment benefit	2,809,293
2600	Total deferred inflows of resources	<u>3,032,768</u>
NET POSITION		
3200	Net investment in capital assets	5,563,837
	Restricted for:	
3820	Federal and state programs	37,680
3850	Debt service	1,388,273
3900	Unrestricted	4,295,156
3000	Total net position	<u>\$ 11,284,946</u>

The accompanying notes are an integral part of this financial statement.

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ITASCA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Functions/Programs	1 Expenses	Program	Program	Net (Expenses)
			Revenues	Revenues	Revenue and Changes in Net Position
			3	4	6
			Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
11	Instruction	\$ 4,874,835	\$ 3,582	\$ 471,944	\$ (4,399,309)
12	Instructional resources and media services	284,762	-	35,226	(249,536)
13	Curriculum and staff development	105,282	-	47,969	(57,313)
21	Instructional leadership	151,244	-	69,222	(82,022)
23	School leadership	577,698	-	10,375	(567,323)
31	Guidance, counseling, and evaluation services	93,978	-	13,493	(80,485)
33	Health services	67,236	-	855	(66,381)
34	Student transportation	393,151	-	2,154	(390,997)
35	Food service	562,422	57,188	468,266	(36,968)
36	Extracurricular activities	734,822	39,109	4,200	(691,513)
41	General administration	482,970	-	2,991	(479,979)
51	Facilities maintenance and operations	1,268,523	-	5,512	(1,263,011)
52	Security and monitoring services	164,185	-	163,664	(521)
53	Data processing services	207,443	-	2,207	(205,236)
61	Community services	1,843	-	-	(1,843)
72	Interest on long-term debt	262,769	-	77,880	(184,889)
73	Bond issuance costs and fees	1,550	-	-	(1,550)
93	Payments related to shared services arrangements	364,657	-	13,671	(350,986)
95	Payments to juvenile justice alternative education program	22,500	-	-	(22,500)
99	Other governmental changes	120,537	-	-	(120,537)
TG	Total governmental activities	<u>\$ 10,742,407</u>	<u>\$ 99,879</u>	<u>\$ 1,389,629</u>	<u>(9,252,899)</u>
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				2,985,534
DT	Property taxes, levied for debt service				965,821
SF	State aid - formula grants				6,145,071
IE	Investment earnings				591,296
GC	Payment in lieu of taxes				706,971
MI	Miscellaneous				192,468
TR	Total general revenues and transfers				<u>11,587,161</u>
CN	Change in net position				2,334,262
NB	Net position, beginning				<u>8,950,684</u>
NE	Net position, ending				<u>\$ 11,284,946</u>

The accompanying notes are an integral part of this financial statement.

ITASCA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2024

Data Control Codes	10	211 ESEA I, A Improving	282
	<u>General</u>	<u>Basic Programs</u>	<u>ESSER III</u>
ASSETS			
1110	Cash and cash equivalents	\$ 8,433,390	\$ -
1220	Property taxes, delinquent	129,119	-
1230	Allowance for uncollectible taxes	(38,736)	-
1240	Due from other governments	908,006	114,003
1260	Due from other funds	246,892	-
1267	Due from trust and custodial funds	293	-
1000	Total assets	<u>9,678,964</u>	<u>114,003</u>
LIABILITIES			
2110	Accounts payable	141,385	-
2160	Accrued wages payable	364,901	12,412
2170	Due to other funds	76,890	100,381
2180	Due to state	-	-
2200	Accrued expenditures	<u>7,531</u>	<u>1,210</u>
2000	Total liabilities	<u>590,707</u>	<u>114,003</u>
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue-property taxes	<u>79,027</u>	<u>-</u>
	Total deferred inflows of resources	<u>79,027</u>	<u>-</u>
FUND BALANCES			
Restricted:			
3450	Federal and state grants	-	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Debt service	-	-
Committed:			
3510	Construction	1,500,000	-
3540	Self-insurance	50,000	-
3545	Campus activities	-	-
3600	Unassigned	<u>7,459,230</u>	<u>-</u>
3000	Total fund balances	<u>9,009,230</u>	<u>-</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,678,964</u>	<u>\$ 114,003</u>

The accompanying notes are an integral part of this financial statement.

EXHIBIT C-1

50 Debt Service Fund	Other Governmental	98 Total Governmental Funds
\$ 1,334,464	\$ 106,886	\$ 9,874,740
32,764	-	161,883
(9,829)	-	(48,565)
52,701	215,450	1,290,160
7,555	-	254,447
-	-	293
<u>1,417,655</u>	<u>322,336</u>	<u>11,532,958</u>
-	67,547	208,932
-	18,227	395,540
-	146,511	323,782
17,100	-	17,100
-	605	9,346
<u>17,100</u>	<u>232,890</u>	<u>954,700</u>
<u>20,007</u>	<u>-</u>	<u>99,034</u>
<u>20,007</u>	<u>-</u>	<u>99,034</u>
-	37,680	37,680
-	8,761	8,761
1,380,548	-	1,380,548
-	-	1,500,000
-	-	50,000
-	43,005	43,005
-	-	7,459,230
<u>1,380,548</u>	<u>89,446</u>	<u>10,479,224</u>
<u>\$ 1,417,655</u>	<u>\$ 322,336</u>	<u>\$ 11,532,958</u>

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ITASCA INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

AUGUST 31, 2024

<u>Data Control Codes</u>		
	Total Fund Balances - Governmental Funds	\$ 10,479,224
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	11,154
2	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,684,532
3	Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	99,034
4	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(9,129,456)
5	Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,282)
6	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability. The net position related to pensions included a deferred resource outflow in the amount of \$1,415,657, a deferred resource inflow in the amount of \$223,475, and a net pension liability in the amount of \$3,006,075.	(1,813,893)
7	Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability. The net position related to the OPEB included a deferred resource outflow in the amount of \$1,498,426, a deferred resource inflow in the amount of \$2,809,293, and a net OPEB liability in the amount of \$1,722,500.	<u>(3,033,367)</u>
29	Net position of governmental activities	<u>\$ 11,284,946</u>

ITASCA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	10	211 ESEA I, A Improving	282
	<u>General</u>	<u>Basic Programs</u>	<u>ESSER III</u>
REVENUES			
5700	Local and intermediate sources	\$ 4,426,137	\$ -
5800	State program revenues	6,503,755	-
5900	Federal program revenues	<u>31,994</u>	<u>180,050</u>
5020	Total revenues	<u>10,961,886</u>	<u>180,050</u>
EXPENDITURES			
Current:			
0011	Instruction	4,339,967	180,050
0012	Instructional resources and media services	237,588	-
0013	Curriculum and instructional staff development	52,679	-
0021	Instructional leadership	81,120	-
0023	School leadership	567,518	-
0031	Guidance, counseling, and evaluation services	71,715	-
0033	Health services	65,515	-
0034	Student transportation	461,273	-
0035	Food service	-	-
0036	Extracurricular activities	579,579	-
0041	General administration	477,971	-
0051	Facilities maintenance and operations	1,214,589	-
0052	Security and monitoring services	88,868	-
0053	Data processing services	209,135	-
0061	Community services	1,843	-
Debt service:			
0071	Principal on long-term debt	24,396	-
0072	Interest on long-term debt	5,104	-
0073	Bond issuance costs and fees	-	-
Capital outlay:			
0081	Facilities acquisition and construction	1,991,573	-
Intergovernmental:			
0093	Payments related to shared services arrangements	364,657	-
0095	Payments related to juvenile justice alternative education programs	22,500	-
0099	Other intergovernmental charges	<u>120,537</u>	<u>-</u>
6030	Total expenditures	<u>10,978,127</u>	<u>180,050</u>
1200	NET CHANGE IN FUND BALANCES	(16,241)	-
0100	FUND BALANCES, BEGINNING	<u>9,025,471</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 9,009,230</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

EXHIBIT C-3

50 Debt Service Fund	Other Governmental	98 Total Governmental Funds
\$ 1,046,845	\$ 88,078	\$ 5,561,060
77,880	267,847	6,849,482
-	540,276	975,180
<u>1,124,725</u>	<u>896,201</u>	<u>13,385,722</u>
-	112,224	4,742,112
-	-	271,787
-	47,969	100,648
-	2,736	149,574
-	3,588	571,106
-	-	84,787
-	-	65,515
-	-	461,273
-	551,445	551,445
-	23,031	602,610
-	-	477,971
-	-	1,214,589
-	163,534	252,402
-	-	209,135
-	-	1,843
370,000	-	394,396
309,563	-	314,667
1,550	-	1,550
-	-	1,991,573
-	-	364,657
-	-	22,500
-	-	120,537
<u>681,113</u>	<u>904,527</u>	<u>12,966,677</u>
443,612	(8,326)	419,045
<u>936,936</u>	<u>97,772</u>	<u>10,060,179</u>
<u>\$ 1,380,548</u>	<u>\$ 89,446</u>	<u>\$ 10,479,224</u>

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ITASCA INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2024

Net change in fund balances - total governmental funds	\$ 419,045
Amounts reported for governmental activities in the statement of activities are different because:	
Some receivables are not considered available revenues and are reported as deferred inflows in the governmental funds. This includes the District's property taxes.	(19,268)
Internal service funds are used by management to charge the costs of certain activities, such as print shop services and insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(718)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,514,103
Bond and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.	446,294
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$224,676. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$226,323. Finally, the proportionate share of the TRS pension expense in the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$320,608. The net result is an decrease in the change in net position.	(322,255)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$62,081. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$67,057. Finally, the proportionate share of the TRS OPEB expense in the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$302,037. The net result is an increase in the change in net position.	<u>297,061</u>
Change in net position of governmental activities	<u>\$ 2,334,262</u>

The accompanying notes are an integral part of this financial statement.

ITASCA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND

AUGUST 31, 2024

	Governmental Activities
	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,945
Due from other funds	<u>69,335</u>
Total assets	<u>73,280</u>
LIABILITIES	
Current liabilities:	
Accrued expenses	<u>62,126</u>
Total liabilities	<u>62,126</u>
NET POSITION	
Unrestricted net position	<u>11,154</u>
Total net position	<u>\$ 11,154</u>

ITASCA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUND

FOR THE YEAR ENDED AUGUST 31, 2024

	Governmental Activities
	<u>Internal Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 44,856
Total operating revenues	<u>44,856</u>
OPERATING EXPENSES	
Other operating costs	<u>45,751</u>
Total operating expenses	<u>45,751</u>
OPERATING INCOME (LOSS)	<u>(895)</u>
NONOPERATING REVENUES (EXPENSES)	
Earnings from temporary deposits and investments	<u>177</u>
Total nonoperating revenues (expenses)	<u>177</u>
CHANGES IN NET POSITION	(718)
TOTAL NET POSITION, BEGINNING	<u>11,872</u>
TOTAL NET POSITION, ENDING	<u>\$ 11,154</u>

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ITASCA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED AUGUST 31, 2024

	Governmental Activities
	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 44,872
Cash payments for insurance claims	<u>(45,033)</u>
Net cash provided (used) by operating activities	<u>(161)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid to other funds	<u>(2,144)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,144)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest on investments	<u>177</u>
Net cash provided (used) by capital and related financing activities	<u>177</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,128)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>6,073</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 3,945</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CHANGES IN NET POSITION	
Operating income (loss)	\$ (895)
(Increase) decrease in due from other funds	16
Increase (decrease) in accrued expenses	<u>718</u>
Net cash provided (used) for operating activities	<u>\$ (161)</u>

ITASCA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2024

	Private-Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 218,916	\$ 50,624
Total assets	218,916	50,624
LIABILITIES		
Due to other funds	-	293
Total liabilities	-	293
NET POSITION		
Restricted for:		
Scholarships	218,916	-
Student groups	-	50,331
Total net position	\$ 218,916	\$ 50,331

The accompanying notes are an integral part of this financial statement.

ITASCA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2024

	Private-Purpose Trust Fund	Custodial Fund
ADDITIONS		
Gifts and bequests	\$ 4,100	\$ -
Interest, dividends, and other	9,327	-
Collections from student groups	-	53,405
Total additions	<u>13,427</u>	<u>53,405</u>
DEDUCTIONS		
Beneficiary payments to individuals	19,668	-
Payments on-behalf of student groups	-	52,620
Total deductions	<u>19,668</u>	<u>52,620</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(6,241)	785
NET POSITION, BEGINNING	<u>225,157</u>	<u>49,546</u>
NET POSITION, ENDING	<u>\$ 218,916</u>	<u>\$ 50,331</u>

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ITASCA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Itasca Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. There are no component units included within the reporting entity. The District prepares its basic financial statements in conformity with generally accepted accounting principles and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenue and expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, deferred inflows/outflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenue until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets, deferred inflows/outflows of resources and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

D. Fund Accounting

The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **ESEA I, A Improving Basic Programs Fund** accounts for funds related to the District's Title I, Part A federal grant program.

The **ESSER III Fund** accounts for funds used to support safely reopening and sustaining school operations resulting from the COVID-19 pandemic.

The **Debt Service Fund** accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt. Revenues include property taxes, state funding under the Instructional Facilities and Existing Debt Allotments and earned interest. The fund balance represents amounts that are available for retirement of future payments of principal, interest and fees.

Additionally, the government reports the following fund types:

Non-major Governmental Funds:

Special Revenue Funds accounts for resources restricted to, or designated for, specific purposes by a grantor. Some Federal and State financial assistance is accounted for in a *Special Revenue Fund*, and sometimes unused balances must be returned to the grantor at the close of specific project periods.

The **Capital Projects Fund** accounts for activity related to the use of bond proceeds which includes the construction of capital facilities and the purchase of capital equipment.

Proprietary Funds:

The **Internal Service Fund** account for revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis. The District's Internal Service Fund is the Workman Compensation Fund.

Fiduciary Fund Types:

The **Private Purpose Trust Fund** accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs.

The **Custodial Fund** accounts for resources held on-behalf of student groups.

E. Assets, Liabilities, Deferred outflows/inflows of Resources, and Net Position or Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of October 1 on property values assessed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate approved by the Board. For the year ended August 31, 2024, the rates were \$0.7575 and \$0.1834, respectively, per \$100 of assessed value.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements	40
Vehicles	5
Furniture and equipment	5 - 15
Right to use - equipment	5

Compensated Absences

It is the District’s policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation or sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Deferred outflows/inflows of resources

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual experience, changes in actuarial assumptions and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.
- Deferred outflows of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net pension liability, the differences between projected and actual investment earnings, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows related to OPEB resulting to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had two items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, as well as changes in proportion and difference between the employer's contributions and the proportionate share of contributions.

- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience and changes in actuarial assumptions.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the School Board, the District's highest level of decision making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or Superintendent.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Defined Benefit Pension Plan

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS 's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefit Plan

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Net Position

Net position represents the difference between assets, deferred inflows/outflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted (the total of committed, assigned, and unassigned fund balance) fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers’ acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. As of August 31, 2024, the District had a deposit balance of \$200,886. The District’s deposit balance was fully collateralized with securities held by the pledging financial institution in the District’s name and FDIC insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s investments are registered, therefore, it does not have any custodial credit risk exposure.

Interest Rate Risk

As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than one year from the purchase date. As of August 31, 2024, the District managed its interest rate risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 9,946,797	36
Total	<u>\$ 9,946,797</u>	

Investment Credit Risk

It is the District’s policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The District’s investment pools are rated as follows by Standard and Poor’s Investors Service:

Texpool	AAAm
---------	------

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The District’s investments in Pools are reported at amortized cost, which in most cases approximates the market value of the securities. TexPool has a redemption notice of one day and may redeem daily. The investment pools’ authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or national state of emergency that affects the pool’s liquidity.

B. Interfund Balances

Interfund balances at August 31, 2024, consisted of the following individual fund balances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	ESEA I, A Improving Basic Program:	\$ 100,381	To cover expenditures
General Fund	Nonmajor Funds	146,511	To cover expenditures
General Fund	Fiduciary Funds	293	To cover expenditures
Debt Service Fund	General Fund	7,555	To cover expenditures
Internal Service Fund	General Fund	<u>69,335</u>	To cover expenditures
Total		<u>\$ 324,075</u>	

C. Capital Assets

Capital asset activity for the District for the year ended August 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 330,500	\$ -	\$ -	\$ 330,500
Total capital assets, not being depreciated	<u>330,500</u>	<u>-</u>	<u>-</u>	<u>330,500</u>
Capital assets, being depreciated:				
Buildings and improvements	21,927,758	2,073,378	-	24,001,136
Furniture and equipment	2,652,012	195,002	-	2,847,014
Right-to-use equipment	<u>127,607</u>	<u>-</u>	<u>-</u>	<u>127,607</u>
Total capital assets, being depreciated	<u>24,707,377</u>	<u>2,268,380</u>	<u>-</u>	<u>26,975,757</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,382,200)	(561,938)	-	(10,944,138)
Furniture and equipment	(1,472,487)	(166,818)	-	(1,639,305)
Right-to-use equipment	<u>(12,761)</u>	<u>(25,521)</u>	<u>-</u>	<u>(38,282)</u>
Total accumulated depreciation	<u>(11,867,448)</u>	<u>(754,277)</u>	<u>-</u>	<u>(12,621,725)</u>
Total capital assets being depreciated, net	<u>12,839,929</u>	<u>1,514,103</u>	<u>-</u>	<u>14,354,032</u>
Governmental activities capital assets, net	<u>\$ 13,170,429</u>	<u>\$ 1,514,103</u>	<u>\$ -</u>	<u>\$ 14,684,532</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 281,501
Instructional resources and media services	16,227
Curriculum and instructional staff development	4,634
Instructional leadership	3,454
School leadership	29,067
Guidance, counseling and evaluation services	10,447
Health services	4,634
Student (Pupil) Transportation	71,880
Food services	26,611
Cocurricular/Extracurricular activities	146,040
General administration	14,316
Plant maintenance and operations	125,675
Security and Monitoring Services	13,937
Data processing services	<u>5,854</u>
Total	<u>\$ 754,277</u>

D. Unavailable Revenue

At year-end the District reported deferred inflows for property taxes in the following amounts:

	General Fund	Nonmajor Governmental	Total
Unavailable revenue	\$ 5,654	\$ 2,433	\$ 8,087
Totals	<u>\$ 5,654</u>	<u>\$ 2,433</u>	<u>\$ 8,087</u>

E. Due to Other Governments

As of August 31, 2024, amounts due to other governments in the Debt Service Fund is \$17,100. This amount represent overpayments of debt-related allotments that will be used to reduce state revenue in the next fiscal year.

F. Long-term Liabilities

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

A summary of changes in long-term liabilities for the year ended August 31, 2024, is as follows:

Description Maturity Date	Interest Rate	Amounts Original Issue	Interest Current Year	Beginning Balance	Additions	Retired/ Refunded	Ending Balance	Amounts Due in One Year
Bonds								
Unlimited Tax								
Building and Refunding Bonds								
Series 2018	2.00-							
8/15/2040	4.25%	\$ 5,245,000	\$ 154,413	\$ 3,880,000	\$ -	\$ 165,000	\$ 3,715,000	\$ 175,000
Unlimited Tax Refunding Bonds								
Series 2020	3.00-							
8/15/2040	4.00%	5,050,000	155,150	4,715,000	-	205,000	4,510,000	215,000
Premium on issuance			-	871,791	-	51,282	820,509	-
Total			<u>\$ 309,563</u>	<u>\$ 9,466,791</u>	<u>\$ -</u>	<u>\$ 421,282</u>	<u>\$ 9,045,509</u>	<u>\$ 390,000</u>
Leases								
Copiers								
12/1/2027	5.00%	\$ 127,607	\$ 5,104	\$ 108,343	\$ -	\$ 24,396	\$ 83,947	\$ 24,803
			<u>\$ 5,104</u>	<u>\$ 108,343</u>	<u>\$ -</u>	<u>\$ 24,396</u>	<u>\$ 83,947</u>	<u>\$ 24,803</u>
Pension & OPEB								
Net pension liability								
				\$ 2,306,458	\$ 924,568	\$ 224,951	\$ 3,006,075	\$ -
Net OPEB liability								
				<u>1,558,921</u>	<u>231,074</u>	<u>67,495</u>	<u>1,722,500</u>	<u>-</u>
Total				<u>\$ 3,865,379</u>	<u>\$ 1,155,642</u>	<u>\$ 292,446</u>	<u>\$ 4,728,575</u>	<u>\$ -</u>

Debt service requirements to maturity for the bonds are as follows:

Year Ended August 31,	General Obligations		Total Requirements
	Principal	Interest	
2025	\$ 390,000	\$ 294,769	\$ 684,769
2026	405,000	279,163	684,163
2027	425,000	262,963	687,963
2028	435,000	245,963	680,963
2029	455,000	228,563	683,563
2030-2034	2,520,000	179,803	2,699,803
2035-2039	2,985,000	438,513	3,423,513
2040	610,000	23,675	633,675
Total	<u>\$ 8,225,000</u>	<u>\$ 1,953,412</u>	<u>\$ 10,178,412</u>

Debt service requirements to maturity for the leases are as follows:

Year Ended August 31,	General Obligations		Total Requirements
	Principal	Interest	
2025	\$ 24,803	\$ 4,858	\$ 29,661
2026	25,268	3,611	28,879
2027	24,310	2,371	26,681
2028	9,566	1,112	10,678
Total	<u>\$ 83,947</u>	<u>\$ 11,952</u>	<u>\$ 95,899</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2024. The District's outstanding bonds payable contain a provision that in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund. The District's leases are secured by the leased equipment.

G. Defined Benefit Pension Plan

Plan Description. The Itasca Independent School Districts participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2022 thru 2025.

	Contribution Rates	
	2023	2024
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Current fiscal year employer contributions		\$ 224,676
Current fiscal year member contributions		398,886
2023 measurement year NECE on-behalf contributions		248,883

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.8 percent of the member’s salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2022 actuarial valuation was rolled forward to August 31, 2023, and was determined using the following actuarial assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2023	4.13% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally taxexempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.30%
Salary increases including inflation	2.95 to 8.95%
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For a full description of these assumptions please see the actuarial valuation report dated November 20, 2022.

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50 percent of payroll in fiscal year 2028 gradually increasing to 9.56 percent in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2023 are summarized below:

Asset Class	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.00%	1.00%
Non-U.S. Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.70%
Private Equity ¹	14.00%	7.00%	1.50%
Stable Value			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return ¹	0.00%	3.60%	0.00%
Stable Value Hedge Funds	5.00%	4.10%	0.20%
Real Return			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources and Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
Risk Parity			
Risk Parity	8.00%	4.50%	0.40%
Leverage			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	-6.00%	4.40%	-0.10%
Inflation Expectation			2.30%
Volatility Drag ⁴			-0.90%
Expected Return	100.00%		8.00%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the FY2023 policy model.

³ Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023).

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 4,494,248	\$ 3,006,075	\$ 1,768,658

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2024, the District's liability was \$3,006,075 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	3,006,075
State's proportionate share that is associated with the District		<u>3,325,892</u>
Total		<u>\$ 6,331,967</u>

The net pension liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

At August 31, 2023 the employer's proportion of the collective net pension liability was 0.0043762693% which was an increase of 0.000491213% from its proportion measured as of August 31, 2022.

Change of Assumptions Since the Prior Measurement Date. The actuarial assumptions and methods are the same as used in the determination of the prior year's Net Pension Liability.

Changes in Benefit Provisions Since Prior Measurement Date. The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The legislature appropriated funds to pay for this one-time stipend so there will be no impact on the Net Pension Liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

For the year ended August 31, 2024, the District recognized pension expense of \$1,049,112 and revenue of \$502,181 for support provided by the State.

At August 31, 2024, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 107,107	\$ 36,400
Changes in actuarial assumptions	284,316	69,579
Difference between projected and actual investment earnings	437,456	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	362,102	117,496
Contributions paid to TRS subsequent to the measurement date	<u>224,676</u>	<u>-</u>
Total	<u>\$ 1,415,657</u>	<u>\$ 223,475</u>

Amounts reported as contributions made subsequent to the measurement date will be recognized as a reduction of pension expense in the next fiscal year. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31,</u>	<u>Pension Expense</u>
2025	\$ 187,556
2026	131,189
2027	433,105
2028	178,033
2029	37,625
Thereafter	(2)

H. Defined Other Post-Employment Benefit Plans

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

	<u>TRS-Care Monthly Premium Rates</u>	
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and children	468	408
Retiree and Family	1,020	999

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2023	2024
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 62,081
Current fiscal year member contributions		31,427
2023 measurement year NECE on-behalf contributions		81,443

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and the TRS-Care funds in excel of the state’s actual obligation and then transferred to TRS-Care..

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the Total OPEB Liability as of August 31, 2023. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023.

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	4.13% as of August 31, 2023
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	The initial medical trend rates were 7.75 percent for Medicare retirees and 7.00 percent for non-Medicare retirees. The initial prescription drug trend rate was 7.75 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 4.13% was used to measure the total OPEB liability. There was an increase of 0.22 percent in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023 using the Fixed Income Market Data/Yield Curve for municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.13%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
Proportionate share of the net OPEB liability:	\$ 2,028,746	\$ 1,722,500	\$ 1,472,595

Healthcare Cost Trend Rates Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Proportionate share of the net OPEB liability:	\$ 1,418,392	\$ 1,722,500	\$ 2,113,735

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2024, the District reported a liability of \$1,722,500 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB obligation	\$ 1,722,500
State's proportionate share that is associated with the District	<u>2,078,461</u>
Total	<u><u>\$ 3,800,961</u></u>

The Net OPEB Liability was measured as of August 31, 2022 and rolled forward to August 31, 2023 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

At August 31, 2023, the employer's proportion of the collective Net OPEB Liability was 0.0077806300% which was an increase of 0.0012699345% from its proportion measured as of August 31, 2022.

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

- The discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2024, the District recognized OPEB expense of \$(679,311) and revenue of \$(444,331) for support provided by the State.

At August 31, 2024, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 77,930	\$ 1,449,157
Changes in actuarial assumptions	235,109	1,054,732
Difference between projected and actual investment earnings	744	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,122,562	305,404
Contributions paid to TRS subsequent to the measurement date	<u>62,081</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 1,498,426</u>	<u>\$ 2,809,293</u>

Amounts reported as contributions made subsequent to the measurement date will be recognized as a reduction of OPEB expense in the next fiscal year. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31,	OPEB Expense
2025	\$ (377,914)
2026	(298,910)
2027	(191,953)
2028	(253,709)
2029	(183,595)
Thereafter	(66,867)

I. Active Employee Health Care Coverage

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The District contributed approximately \$330 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS Active Care. That report may be obtained by visiting the TRS Website at www.trs.state.tx.us, by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

J. Medicare Part D – On-behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$27,738, \$24,144 and \$19,676 were recognized for the years ended August 31, 2022, 2023 and 2024 respectively, as equal revenues and expenditures.

K. Commitments and Contingencies

State and Federal Grants

Minimum foundation funding received from TEA is based primarily upon information concerning average daily attendance at the District’s schools which is compiled by the District and supplied to TEA. Federal funding for the child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported TEA. Federal and state funding received under various grant programs are based upon reimbursable expenditures made under program guidelines.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District’s administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies

L. Shared Service Arrangements

The District participates in shared service arrangements for Juvenile Justice Alternate Education Services, with other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Itasca Independent School District. The fiscal agent manager is responsible for all financial activities of the shared service arrangement.

M. Tax Abatement

In May 2020, the District entered into an agreement with BT Files Solar LLC for a Limitation On Appraised Value of Property for School District Maintenance and Operations pursuant to Chapter 313 of the Texas Tax Code, i.e. the Texas Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. The projects under the Chapter 313 agreement must be consistent with the State of Texas’ goal to encourage large scale capital investments in the state. Chapter 313 of the Texas Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

During the fiscal year, the District received \$706,791 as part of this agreement, and is the first of two payments with the next payment due in fiscal year 2024-2025.

N. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past four years.

O. New Accounting Pronouncements

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2024, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* - The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* - The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

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REQUIRED SUPPLEMENTARY INFORMATION

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ITASCA INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 3,388,083	\$ 4,051,590	\$ 4,426,137	\$ 374,547
5800	State program revenues	5,671,859	6,330,259	6,503,755	173,496
5900	Federal program revenues	<u>20,000</u>	<u>20,000</u>	<u>31,994</u>	<u>11,994</u>
5020	Total revenues	<u>9,079,942</u>	<u>10,401,849</u>	<u>10,961,886</u>	<u>560,037</u>
EXPENDITURES					
Current:					
0011	Instruction	4,467,078	4,487,077	4,339,967	147,110
0012	Instructional resources and media services	250,436	252,436	237,588	14,848
0013	Curriculum and staff development	34,675	66,675	52,679	13,996
0021	Instructional leadership	89,605	89,605	81,120	8,485
0023	School leadership	463,740	580,740	567,518	13,222
0031	Guidance, counseling, and evaluation services	99,076	84,076	71,715	12,361
0033	Health services	69,080	71,080	65,515	5,565
0034	Student transportation	253,701	493,231	461,273	31,958
0036	Extracurricular activities	645,974	645,974	579,579	66,395
0041	General administration	459,945	499,945	477,971	21,974
0051	Facilities maintenance and operations	1,245,848	1,332,385	1,214,589	117,796
0052	Security and monitoring services	117,980	102,634	88,868	13,766
0053	Data processing services	201,158	221,158	209,135	12,023
0061	Community services	2,500	7,500	1,843	5,657
Debt service:					
0071	Principal on long-term debt	47,042	52,042	24,396	27,646
0072	Interest on long-term debt	5,104	5,104	5,104	-
Capital outlay:					
0081	Facilities acquisition and construction	-	2,045,417	1,991,573	53,844
Intergovernmental:					
0093	Payments related to shared services arrangements	397,000	397,000	364,657	32,343
0095	Payments to Juvenile Justice Alternative Education Programs	15,000	25,400	22,500	2,900
0099	Other governmental charges	<u>125,000</u>	<u>125,000</u>	<u>120,537</u>	<u>4,463</u>
6030	Total expenditures	<u>8,989,942</u>	<u>11,584,479</u>	<u>10,978,127</u>	<u>606,352</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>90,000</u>	<u>(1,182,630)</u>	<u>(16,241)</u>	<u>1,166,389</u>
OTHER FINANCING SOURCES (USES)					
8911	Transfers out	<u>(90,000)</u>	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>
7080	Total other financing sources (uses)	<u>(90,000)</u>	<u>(80,000)</u>	<u>-</u>	<u>80,000</u>
1200	NET CHANGE IN FUND BALANCES	-	(1,262,630)	(16,241)	1,246,389
0100	FUND BALANCES, BEGINNING	<u>9,025,471</u>	<u>9,025,471</u>	<u>9,025,471</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 9,025,471</u>	<u>\$ 7,762,841</u>	<u>\$ 9,009,230</u>	<u>\$ 1,246,389</u>

ITASCA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 30, 2024

Measurement date August 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's Proportion of the Net Pension Liability (Asset)	0.0043762693%	0.0038850563%	0.0032715433%	0.0033579758%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,006,075	\$ 2,306,458	\$ 833,146	\$ 1,798,463
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>3,325,892</u>	<u>3,357,102</u>	<u>1,681,368</u>	<u>3,772,801</u>
Total	<u>\$ 6,331,967</u>	<u>\$ 5,663,560</u>	<u>\$ 2,514,514</u>	<u>\$ 5,571,264</u>
District's Covered Payroll	\$ 4,487,258	\$ 4,750,011	\$ 4,647,195	\$ 4,792,602
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	66.99%	48.56%	17.93%	37.53%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.15%	75.62%	88.79%	75.54%

EXHIBIT G-2

2019	2018	2017	2016	2015	2014
0.0038541816%	0.0040698218%	0.0039529917%	0.0040654928%	0.0044772000%	0.0032896000%
\$ 2,003,524	\$ 2,240,129	\$ 1,263,954	\$ 1,536,289	\$ 1,582,631	\$ 878,698
<u>3,480,570</u>	<u>4,036,853</u>	<u>2,410,126</u>	<u>2,840,188</u>	<u>2,677,048</u>	<u>2,314,059</u>
<u>\$ 5,484,094</u>	<u>\$ 6,276,982</u>	<u>\$ 3,674,080</u>	<u>\$ 4,376,477</u>	<u>\$ 4,259,679</u>	<u>\$ 3,192,757</u>
\$ 4,583,555	\$ 4,736,780	\$ 4,560,235	\$ 4,434,221	\$ 4,330,243	\$ 4,231,366
43.71%	47.29%	27.72%	34.65%	36.55%	20.77%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

ITASCA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2024

Fiscal year ended August 31,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 224,676	\$ 226,323	\$ 183,747	\$ 139,612
Contribution in Relation to the Contractually Required Contribution	<u>(224,676)</u>	<u>(226,323)</u>	<u>(183,747)</u>	<u>(139,612)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 4,834,890	\$ 4,487,258	\$ 4,750,011	\$ 4,647,195
Contributions as a percentage of Covered Payroll	4.65%	5.04%	3.87%	3.00%

EXHIBIT G-3

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 138,621	\$ 135,120	\$ 164,151	\$ 129,692	\$ 132,676	\$ 131,737
<u>(138,621)</u>	<u>(135,120)</u>	<u>(164,151)</u>	<u>(129,692)</u>	<u>(132,676)</u>	<u>(131,737)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,792,602	\$ 4,583,555	\$ 4,736,780	\$ 4,560,235	\$ 4,434,221	\$ 4,330,243
2.89%	2.95%	3.47%	2.84%	2.99%	3.04%

ITASCA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2024

Measurement date August 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's Proportion of the Net OPEB Liability (Asset)	0.0077806300%	0.0065106955%	0.0056418933%	0.0059662936%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,722,500	\$ 1,558,921	\$ 2,176,330	\$ 2,268,058
States Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>2,078,461</u>	<u>1,901,639</u>	<u>2,915,789</u>	<u>3,047,726</u>
Total	<u>\$ 3,800,961</u>	<u>\$ 3,460,560</u>	<u>\$ 5,092,119</u>	<u>\$ 5,315,784</u>
District's Covered Employee Payroll	\$ 4,487,258	\$ 4,750,011	\$ 4,647,195	\$ 4,792,602
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Employee Payroll	38.39%	32.82%	46.83%	47.32%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	14.94%	11.52%	6.18%	4.99%

Note: Only seven years of data is presented in accordance with GASB #75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.0061748017%	0.0065264244%	0.0060909659%
\$ 2,920,140	\$ 3,258,703	\$ 2,648,733
<u>3,880,212</u>	<u>3,954,307</u>	<u>3,538,843</u>
<u>\$ 6,800,352</u>	<u>\$ 7,213,010</u>	<u>\$ 6,187,576</u>
\$ 4,583,555	\$ 4,736,780	\$ 4,560,235
63.71%	68.80%	58.08%
2.66%	1.57%	0.91%

ITASCA INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED AUGUST 31, 2024

Fiscal year ended August 31,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually Required Contribution	\$ 62,081	\$ 67,057	\$ 53,475	\$ 44,036
Contribution in Relation to the Contractually Required Contribution	<u>(62,081)</u>	<u>(67,057)</u>	<u>(53,475)</u>	<u>(44,036)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 4,812,240	\$ 4,487,258	\$ 4,750,011	\$ 4,647,195
Contributions as a percentage of Covered Employee Payroll	1.29%	1.49%	1.13%	0.95%

Note: Only seven years of data is presented in accordance with GASB #75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 45,318	\$ 43,862	\$ 54,145
<u>(45,318)</u>	<u>(43,862)</u>	<u>(54,145)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,792,602	\$ 4,583,555	\$ 4,736,780
0.95%	0.96%	1.14%

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ITASCA INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2024

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service and the National School Breakfast and Lunch Program Fund, which is included in the Special Revenue Funds.

The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures. The General Fund Budget is presented at Exhibit G-1 and the National School Breakfast and Lunch Program and Debt Service Funds are presented at Exhibits J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days' public notice of the meeting must be given.
3. Prior to August 31, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding end-of-year encumbrances.

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COMBINING STATEMENTS

ITASCA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2024

Data Control Codes	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	270 ESEA V, B Rural and Low-Income Program	289 Other Federal Programs	
ASSETS					
1110	Cash and cash equivalents	\$ 54,870	\$ -	\$ -	\$ -
1240	Due from other governments	<u>34,076</u>	<u>7,087</u>	<u>10,884</u>	<u>18,769</u>
1000	Total assets	<u>88,946</u>	<u>7,087</u>	<u>10,884</u>	<u>18,769</u>
LIABILITIES					
2110	Accounts payable	34,937	-	-	-
2160	Accrued wages payable	15,984	577	-	1,666
2170	Due to other funds	-	6,443	10,884	16,910
2200	Accrued expenditures	<u>345</u>	<u>67</u>	<u>-</u>	<u>193</u>
2000	Total liabilities	<u>51,266</u>	<u>7,087</u>	<u>10,884</u>	<u>18,769</u>
FUND BALANCES					
Restricted:					
3450	Federal or state grants	37,680	-	-	-
3470	Capital acquisitions and contractual obligations	-	-	-	-
Committed:					
3545	Campus activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Total fund balances	<u>37,680</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 88,946</u>	<u>\$ 7,087</u>	<u>\$ 10,884</u>	<u>\$ 18,769</u>

410	429	461	699	Total Nonmajor Governmental Funds
State Instructional Materials	Math Academy	Campus Activity Funds	Capital Projects	
\$ -	\$ -	\$ 43,255	\$ 8,761	\$ 106,886
<u>78,941</u>	<u>65,693</u>	<u>-</u>	<u>-</u>	<u>215,450</u>
<u>78,941</u>	<u>65,693</u>	<u>43,255</u>	<u>8,761</u>	<u>322,336</u>
32,610	-	-	-	67,547
-	-	-	-	18,227
46,331	65,693	250	-	146,511
-	-	-	-	605
<u>78,941</u>	<u>65,693</u>	<u>250</u>	<u>-</u>	<u>232,890</u>
-	-	-	-	37,680
-	-	-	8,761	8,761
<u>-</u>	<u>-</u>	<u>43,005</u>	<u>-</u>	<u>43,005</u>
<u>-</u>	<u>-</u>	<u>43,005</u>	<u>8,761</u>	<u>89,446</u>
<u>\$ 78,941</u>	<u>\$ 65,693</u>	<u>\$ 43,255</u>	<u>\$ 8,761</u>	<u>\$ 322,336</u>

ITASCA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	270 ESEA V, B Rural and Low-Income Program	289 Other Federal Programs
REVENUES				
5700	\$ 57,188	\$ -	\$ -	\$ -
5800	14,411	-	-	-
5900	463,661	31,943	19,819	24,853
5020	<u>535,260</u>	<u>31,943</u>	<u>19,819</u>	<u>24,853</u>
EXPENDITURES				
Current:				
0011	-	644	19,819	1,859
0013	-	31,299	-	16,670
0021	-	-	-	2,736
0023	-	-	-	3,588
0035	551,445	-	-	-
0036	-	-	-	-
0052	-	-	-	-
6030	<u>551,445</u>	<u>31,943</u>	<u>19,819</u>	<u>24,853</u>
1200	(16,185)	-	-	-
0100	<u>53,865</u>	-	-	-
3000	<u>\$ 37,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

410	429	461	699	Total Nonmajor Governmental Funds
State Instructional Materials	Math Academy	Campus Activity Funds	Capital Projects	
\$ -	\$ -	\$ 29,346	\$ 1,544	\$ 88,078
87,642	165,794	-	-	267,847
-	-	-	-	540,276
<u>87,642</u>	<u>165,794</u>	<u>29,346</u>	<u>1,544</u>	<u>896,201</u>
87,642	2,260	-	-	112,224
-	-	-	-	47,969
-	-	-	-	2,736
-	-	-	-	3,588
-	-	-	-	551,445
-	-	23,031	-	23,031
-	163,534	-	-	163,534
<u>87,642</u>	<u>165,794</u>	<u>23,031</u>	<u>-</u>	<u>904,527</u>
-	-	6,315	1,544	(8,326)
-	-	36,690	7,217	97,772
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,005</u>	<u>\$ 8,761</u>	<u>\$ 89,446</u>

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REQUIRED TEA SCHEDULES

ITASCA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2024

Last Ten Years Ended August 31,	Tax Rates		3 Net Assessed/ Appraised Value for School Tax Purpose	10 Beginning Balance 09/01/2023
	1 Maintenance	2 Debt Service		
2015 and prior years	various	various	various	\$ 15,174
2016	1.170000	0.256100	173,525,543	3,587
2017	1.170000	0.290500	163,459,452	4,565
2018	1.170000	0.261400	173,882,266	9,751
2019	1.170000	0.310400	177,088,129	10,060
2020	1.068300	0.356900	191,327,307	15,131
2021	1.026800	0.302900	209,868,282	16,703
2022	0.960300	0.293100	221,982,121	25,445
2023	0.942900	0.243100	321,044,182	94,291
2024	0.757500	0.183400	396,290,785	-
1000 Totals				<u>\$ 194,707</u>
8000 - Taxes refunded				
9000 - Tax increment				

EXHIBIT J-1

20	31	32	40	50	99
<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 08/31/2024</u>	<u>Total Taxes Refunded under Section 26.1115 (c)</u>
\$ -	\$ 186	\$ 45	\$ (271)	\$ 14,672	
-	30	7	(33)	3,517	
-	186	46	(36)	4,297	
-	245	55	(36)	9,415	
-	411	109	(39)	9,501	
-	1,111	371	(9,321)	4,328	
-	37,443	11,046	36,397	4,611	
-	49,618	15,144	52,048	12,731	
-	99,356	25,616	38,856	8,175	
<u>3,728,700</u>	<u>2,912,582</u>	<u>705,172</u>	<u>(20,310)</u>	<u>90,636</u>	
<u>\$ 3,728,700</u>	<u>\$ 3,101,168</u>	<u>\$ 757,611</u>	<u>\$ 97,255</u>	<u>\$ 161,883</u>	
					<u>\$ 8,714</u>
	<u>\$ -</u>				

ITASCA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NATIONAL BREAKFAST AND LUNCH PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
		<u>Original</u>	<u>Final</u>		
	REVENUES				
5700	Local and intermediate sources	\$ 45,100	\$ 45,100	\$ 57,188	\$ 12,088
5800	State program revenues	14,115	14,115	14,411	296
5900	Federal program revenues	<u>395,000</u>	<u>425,000</u>	<u>463,661</u>	<u>38,661</u>
5020	Total revenues	<u>454,215</u>	<u>484,215</u>	<u>535,260</u>	<u>51,045</u>
	EXPENDITURES				
0035	Food Service	<u>544,215</u>	<u>564,215</u>	<u>551,445</u>	<u>12,770</u>
6030	Total expenditures	<u>544,215</u>	<u>564,215</u>	<u>551,445</u>	<u>12,770</u>
	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(90,000)</u>	<u>(80,000)</u>	<u>(16,185)</u>	<u>63,815</u>
	OTHER FINANCING SOURCES (USES)				
7915	Transfers in	<u>90,000</u>	<u>80,000</u>	<u>-</u>	<u>(80,000)</u>
	Total other financing sources (uses)	<u>90,000</u>	<u>80,000</u>	<u>-</u>	<u>(80,000)</u>
1200	NET CHANGE IN FUND BALANCE	-	-	(16,185)	(16,185)
0100	FUND BALANCE, BEGINNING	<u>53,865</u>	<u>53,865</u>	<u>53,865</u>	-
3000	FUND BALANCE, ENDING	<u>\$ 53,865</u>	<u>\$ 53,865</u>	<u>\$ 37,680</u>	<u>\$ (16,185)</u>

ITASCA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 681,563	\$ 681,563	\$ 1,046,845	\$ 365,282
5800	State program revenues	-	-	77,880	77,880
5020	Total revenues	<u>681,563</u>	<u>681,563</u>	<u>1,124,725</u>	<u>443,162</u>
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	370,000	370,000	370,000	-
0072	Interest on long-term debt	310,013	310,013	309,563	450
0073	Bond issuance costs and fees	<u>1,550</u>	<u>1,550</u>	<u>1,550</u>	-
6030	Total expenditures	<u>681,563</u>	<u>681,563</u>	<u>681,113</u>	<u>450</u>
1200	NET CHANGE IN FUND BALANCES	-	-	443,612	443,612
0100	FUND BALANCES, BEGINNING	<u>936,936</u>	<u>936,936</u>	<u>936,936</u>	-
3000	FUND BALANCES, ENDING	<u>\$ 936,936</u>	<u>\$ 936,936</u>	<u>\$ 1,380,548</u>	<u>\$ 443,612</u>

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS

FOR THE YEAR ENDED AUGUST 31, 2024

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district’s fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district’s fiscal year.	669,746
AP4	Actual direct program expenditures for state compensatory education programs during the district’s fiscal year. (PICs 24, 26, 28, 29, 30)	407,041

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district’s fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district’s fiscal year.	75,665
AP8	Actual direct program expenditures for bilingual education programs during the district’s fiscal year. (PICs 25)	41,865

COMPLIANCE SECTION

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Itasca Independent School District
Itasca, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Itasca Independent School District as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Itasca Independent School District's basic financial statements, and have issued our report thereon dated December 9, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Itasca Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Itasca Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Itasca Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itasca Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Itasca Independent School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Itasca Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2024

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees
Itasca Independent School District
Itasca, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Itasca Independent School District’s (the “District”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended August 31, 2024. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2024

ITASCA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2024

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<u>U . S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Education Agency:			
School Breakfast Program	10.553	714023	\$ 10,682
School Breakfast Program	10.553	714024	82,169
National School Lunch Program	10.555	713023	33,829
National School Lunch Program	10.555	714024	<u>276,300</u>
Total Passed through the Texas Education Agency			<u>402,980</u>
Passed through the Texas Department of Agriculture:			
National School Lunch Program Commodities - Non-cash assistance	10.555	NT4XL1YGLGC5	28,182
Supply Chain Assistance - COVID-19	10.555	NT4XL1YGLGC5	<u>31,851</u>
Total Child Nutrition Cluster			<u>463,013</u>
Private Storage and Delivery Fees - COVID-19	10.560	NT4XL1YGLGC5	<u>648</u>
Total Passed through the Texas Department of Agriculture			<u>60,681</u>
TOTAL U . S. DEPARTMENT OF AGRICULTURE			<u>463,661</u>
<u>U . S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	24610101109907	<u>222,860</u>
Subtotal Assistance Listing Number 84.010			<u>222,860</u>
ESEA, Title V, Part B - Rural and Low-Income School Program	84.358B	24696001109907	19,819
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	24694501109907	31,943
ESEA, Title IV, Part A - Student Support and Academic Enrichment	84.424A	23680101109907	24,853
COVID-19 - Elementary and Secondary School Emergency Relief III	84.425U	21528001109907	<u>180,050</u>
Subtotal Assistance Listing Number 84.425			<u>180,050</u>
Total Passed through the Texas Education Agency			<u>479,525</u>
TOTAL U . S. DEPARTMENT OF EDUCATION			<u>479,525</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 943,186</u>

ITASCA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2024

1. For all federal programs, the District uses the fund types specified in Texas Education Agency’s *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designed for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounting for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types. With this measurement focus, only current assets, current liabilities and fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurement and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable may be impaired.
4. The District has not elected to use the de minimis indirect cost rate as at 2 CFR 200.414.(f)—Indirect (F&A) costs.
5. None of the federal programs expended by the District were passed through to subrecipients.
6. The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Government Funds (Exhibit C-3)	\$ 975,180
Less:	
SHARS	<u>31,994</u>
Federal expenditures	<u>\$ 943,186</u>

ITASCA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2024

Summary of Auditor's Results

Financial Statements

Type of report on financial statements	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness?	None reported
Material noncompliance to the financial statements noted?	No

Federal Awards

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness?	None reported
Type of auditors' report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs: Assistance Listing Numbers: 84.010	Name of Federal Program or Cluster: Title I, Part A
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None

ITASCA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2024

None.

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